

CITY OF DURHAM GOALS & STRATEGIC PLAN

ADOPTED APRIL 15th, 2013

At the April 15th, 2013 Council Meeting the Durham City Council adopted the current Strategic Plan for the City and five over-arching goals:

1. Strong and Diverse Economy
2. Safe and Secure Community
3. Thriving Livable Neighborhoods
4. Well Managed City
5. Stewardship of City's Physical Assets

To achieve consistent and planned results, it is essential that all organizational efforts are pointed in the same direction. The Strategic Planning process involves City Council, the City Manager's Office, employees, residents and other stakeholders. During the Strategic Plan update process in late 2012, goals, objectives, outcome measures, initiatives and the key priorities were all assessed with new measures and initiatives added along with some additional modifications. The Strategic Plan continues to serve as the framework for accomplishing these priorities. To ensure success, the organization has integrated the plan into annual budgets, daily operations, and organizational measurements in an effort to direct our financial resources and planning in almost every area of government.

To monitor the Strategic Plan, the performance dashboard allows residents to easily view progress made on specific citywide measures and initiatives, while also identifying potential trends. The performance dashboard is updated biannually with data displayed from the first six months of the fiscal year as well as year-end results. As of December 2015, 43 initiatives have been completed from the Strategic Plan.

In addition to citywide Strategic Plan monitoring, departments continue to create and implement department strategic plans. These plans align resources and provide ownership of citywide initiatives and long-term department goals. Of 24 departments, 19 currently have approved department strategic plans. It is anticipated that by the end of FY15, all departments will have an approved plan.

The biennial update for the citywide Strategic Plan was initiated in November and a recommended Strategic Plan will be presented in June. During the process we sought input and direction from City Council, the City Manager's Office, employees, residents and other community stakeholders.



FY 2013-2014

www.DurhamNC.gov/StrategicPlan

Revised April 15, 2013



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City Council FY12/13



Mayor
William V. 'Bill' Bell



Mayor Pro-Tem
Cora Cole-McFadden



Eugene A. Brown



Diane N. Catotti



Howard Clement, III



Steve Schewel



Don Moffitt

Introduction

Letter from the City Manager

Dear City Residents and Employees,

For the past two years, together we have worked intently to lay the building blocks that support the city's mission to be, in a phrase, "*A great place to live, work, and play.*" That means that our communities are safe and thriving, businesses are growing and employing our residents, and that your government manages your tax dollars well.

The Strategic Plan has been the guide that we use to direct our energies, our financial resources and our planning in almost every area of government... from developing our annual budget to performing day-to-day operations. Because of your input, employees, residents, businesses and other stakeholders, this is now a Strategic Plan that not only captures current needs and goals, but also is fluid enough to adjust and grow along with our city.

Your recent input during the Strategic Plan update process was more than welcomed; it was vital. Whether we live in, or serve the residents of Durham, determining what's important at any given time helps define our actions and, indeed, our future. The updated Strategic Plan will provide long-term direction and action steps for the organization.

Many successes can be attributed to the City's Strategic Plan, including the following:

1. **Joint City/County initiatives**- The City began working with Durham County, in an effort to align strategic plans with the six joint initiatives that focus on youth, health and wellness, housing, sustainability, and community beautification.
2. **ICMA Award of Distinction** - The City was one of only 15 cities in the United States recognized for using a performance management system dashboard along with a strategic plan to inform residents with progress made on objectives, measures, and initiatives.



3. **Citizen Engaged Community 2011-2013** – The City was one of only 20 cities in the United States receiving this designation for our use of technology to engage residents.

4. **Performance Management** implemented an external analysis and updates on and initiatives.



System Dashboard - The City dashboard, providing residents with existing goals, objectives, measures,



5. **Budget alignment** - All departmental and citywide new programs or services should support a strategic plan goal to be considered for funding

The City of Durham Strategic Plan identifies five goals, or focus areas, that the City Council and City management will advance during the next two-to-three years. City services and programs, including new ones, should support specific strategic goals, and contain measures that show their success. The five City Goals are:

1. Strong and Diverse Economy
2. Safe and Secure Community
3. Thriving, Livable Neighborhoods
4. Well-Managed City
5. Stewardship of City's Physical Assets

I am proud to present the City of Durham's citywide Strategic Plan, refreshed and realigned in February 2013. This document serves as an organizational blueprint and foundation that positions Durham to be a leader in providing an excellent and sustainable quality of life.

I wish to thank the City Council for their support and direction during this process. Your leadership and vision continues to allow the City to excel in meeting the needs of our community today and in the future.

Sincerely,

Thomas J. Bonfield
City Manager

About Durham

The City of Durham has operated under the Council-Manager form of government since 1921. The Durham City Council is comprised of seven members: the Mayor, three members from specific wards, and three at-large members. The terms for City Council seats are staggered. Nonpartisan elections are held every two years. The City covers about 108 square miles and serves a population approaching 234,000. Durham is a community that embraces its diversity. It is proud to be the home of Duke University, North Carolina Central University, and the Research Triangle Park.

Organization Profile

City Budget, FY 2012-2013	\$372.2 million
General Fund Budget, FY 2012-2013	\$176.7 million
Full-Time Employees	2,384
Departments	24
Bond Rating	AAA

The Mission

To provide quality services to make Durham a great place to live, work, and play.

The Vision

Durham is the leading city in providing an excellent and sustainable quality of life.

Why Prepare a Strategic Plan?

The Administration implemented a citywide Strategic Plan to set direction for the future of the city and guide decision-making and resource allocation. Knowing the vision for a community is one required element for a city's success; another is having a roadmap, or a strategic plan, that improves efficiency and effectiveness along with promoting strategic thinking, acting, and learning. The resulting plan translates the community's vision and City Council's goals into actions by the City, enabling the organization to better serve the community.



Department Director Retreat

The City's Strategic Plan outlines the goals, objectives, measures, and includes a list of specific initiatives the City will focus on to accomplish the objectives. By looking ahead and asking our stakeholders what they need, we establish a vision for what level of service we will provide, along with an understanding of what resources will be necessary to provide them.

This plan is prioritized around key initiatives developed with input from the City Council, key stakeholders, residents, and staff. Since the community, the economy, and the organization are continually changing, this plan should be considered as a beginning, rather than an end.

Creating the Strategic Plan

The City adopted an innovative approach for creating the citywide Strategic Plan. The process involved thinking about the nature of the City government as an organization. It was important to identify the core products and services the City provides. The City cannot be all things to all people, so the focus had to be on the City's fundamental purposes. Likewise, it was important to recognize the key customers of the City's products and services. While the City's residents are the primary beneficiaries' of its services, there are, in fact, many others.

Core Products and Services

Deliverables
Public Safety Respond to emergencies, prevent emergencies from occurring, mitigate human suffering, prepare for disasters
Community Development Provide neighborhood planning, improvements, redevelopment and ensure compliance with City codes
Public Works Maintain the City's physical assets (buildings, roads, etc.), manage solid waste and water resources, build new infrastructure and protect the environment
Transportation Plan and operate the City road systems and provide public transportation and parking
Public Information Ensure the public is informed about the City and has opportunities for engagement
Recreational Cultural Programs Maintain parks and recreation facilities and offer various recreational activities

Key Stakeholders

<ul style="list-style-type: none">• Residents• Visitors• Business and Industry• Community Organizations	<ul style="list-style-type: none">• Other Government Entities• Property Owners• Higher Education Institutions• Medical Institutions

Resident/Stakeholder/Employee Input

Executive Summary

As one of the steps to updating the Strategic Plan, the City engaged residents, stakeholders, City staff, and the Partners Against Crime Districts (PACs). The purpose of the engagement was to understand the various groups' vision of the five strategic goals and their ideas for specific projects and activities that the City can take on to realize these visions. Information obtained from the sessions was used to guide the Strategic Plan update.

Methodology

Both online surveys and face-to-face meetings were used to obtain input from residents, stakeholders, and employees. Details about the input methodology employed for each group are listed below.

Residents

To obtain input from Durham residents, City staff conducted three community meetings. The meetings were held at North Regional Library, South Regional Library, and Holton Career and Resource Center during September 2012. Residents discussed two of the strategic goals during each meeting. In total, four goals were discussed. Residents were asked the following three questions about each of the goals they discussed during their meeting:

1. What does this goal look like to you?
2. Of the list you've generated, what should be the first area of focus? The second? The third? We don't need to come to a group consensus necessarily, but we are very interested in seeing the ideas that generally rise to the top.
3. What specific projects or activities should the City take on, or continue with renewed effort, to achieve these priorities?

Responses were recorded on a flip chart during the meeting, and later analyzed for common themes.

City Staff

To obtain input from City staff, an online survey was conducted. A total of 106 staff members provided responses to the online survey. This survey asked respondents to answer the following three questions about all five strategic goals:

1. What would this look like to you?
2. Prioritize your list with the top 3 choices?
3. What projects /initiatives should the City take on or continue to achieve these priorities?

An employee focus group with 52 front-line staff was conducted for several operations departments (Solid Waste Management, Water Management, Fleet Management, Public Works, and General Services). This focus group answered the three questions about two goals: “Well-Managed City” and “Stewardship of the City’s Physical Assets and Environment.”

Stakeholders

To obtain input from Durham stakeholders, City staff issued an online survey with the same questions as the survey used for City staff. A total of 37 responses were received. This survey was distributed to representatives of the following groups/organizations:

- County Commissioners
- County Manager
- Downtown Durham, Inc.
- Duke University
- Duke University Health System
- Durham Convention & Visitors Bureau
- Durham Public School Board
- Durham County Department of Social Services
- Durham Technical Community College
- The Herald Sun
- Greater Durham Chamber of Commerce
- RDU Airport Authority
- North Carolina Central University
- Research Triangle Foundation
- Triangle Transit
- Durham Homebuilders Association
- Durham Realtors Association
- Inter-Neighborhood Coalition
- Durham Housing Authority
- Self-Help
- United Way

Partners Against Crime Districts (PACs)

The same survey was sent to representatives of all five Durham's PACs with 33 responding to the survey.

Resident/Stakeholder/Employee Findings

Goal 1: Strong and Diverse Economy

The first two questions respondents were asked was: "What does a strong and diverse economy look like to you?" and "What should be the City's top three priorities?"

Common responses from community members, stakeholders, City staff, and PACs were tallied to create the following list of "*vision themes*" for a strong and diverse economy:

1. Competitive wages
2. Variety of employment opportunities to take advantage of our diverse community
3. Low unemployment
4. Incentives for business to locate in Durham
5. Stable jobs with potential for growth
6. Promotion of small business and local businesses
7. Well-trained workforce
8. Vibrant downtown where people live and work
9. Accessible and affordable public transportation
10. Recruitment of "green" businesses

Goal 2: Safe and Secure Community

The first two questions respondents were asked was: "What does a safe and secure community look like to you?" and "What should be the City's top three priorities?"

Common responses from community members, stakeholders, city staff, and PACs were tallied to create the following list of "*vision themes*" for a safe and secure community:

1. Fast response times
2. Well-lit community
3. Visible police presence
4. Active, engaged, and educated community

5. Low crime rates
6. Partnerships between community organizations and City
7. Proficient police officers and 911 responders

Goal 3: Thriving, Livable Neighborhoods

The first two questions respondents were asked was: “What does a thriving, livable neighborhood look like to you?” and “What should be the City’s top three priorities?”

Common responses from community members, stakeholders, city staff, and PACs were tallied to create the following list of “*vision themes*” for a thriving, livable neighborhood:

1. Sidewalks, bike lanes, good public transportation
2. Clean and well-maintained public assets
3. Public-private partnerships to improve neighborhoods
4. Lots of green and open spaces
5. Strong community/neighborhood groups that work with the City
6. Environmental stewardship
7. Public parks, events, activities for families and youth

Goal 4: Well-Managed City

Stakeholder input on goal 4 was obtained solely from City employees.

The first two questions employees were asked was: “What does a well-managed city look like to you?” and “What should be the City’s top three priorities?”

Common responses were tallied to create the following list of “*vision themes*” for a well-managed city:

1. Well-trained employees
2. Competitive compensation
3. Good communication and transparency across the organization (especially with employees without email)

4. Employees at all levels that are accountable for their job
5. Delegated authority
6. Meetings held with a respect for time

Goal 5: Stewardship of the City's Physical Assets

The first two questions respondents were asked was: "What stewardship of the City's physical assets look like to you?" and "What should be the City's top three priorities?"

Common responses from community members, stakeholders, city staff, and PACs were tallied to create the following list of "*vision themes*" for stewardship of the City's physical assets:

1. Plenty of green and open spaces that are well-maintained
2. Safe and well-maintained sidewalks, streets, trails
3. Reliable water source
4. Sustainable practices
5. Light rail to connect the Triangle region
6. Underground power lines
7. Energy efficiency

Core Organizational Values

The City of Durham used an inclusive process to determine its core values, involving hundreds of employees from across all departments and all levels of the organization. Employees met in groups and shared what was important to them and what they thought should guide interactions with each other and with residents. A list of 57 potential values was generated from these sessions. At the first ice cream social, employees voted on the values they believed were most important. From this prioritization, the City arrived at 12 possible values that were narrowed down to our final seven by the task teams involved in the DurhamFirst initiative.

City of Durham Values	
Our Employees	Essential to our success Do the right thing for the right reasons Stewards of our community Maintain professional behavior and image Strive to exceed our internal customers' service expectations
Integrity	Honesty – consistently telling the truth Trust – keeping commitments and confidences Accountability – being responsible for our actions Respect – treating people the way we want to be treated A strong work ethic – doing our best for the community
Customer Service	Constantly and consistently exceeding our customers' expectations Listening completely and understanding Responding and following through Patience and courtesy
Teamwork	Working together for a common goal Embracing diversity Being open to new ideas Finding strength in unity Recognizing individual strengths
Leadership	Recognizing that everyone is a leader Taking personal responsibility for our actions Being credible Leading by example Serving a higher purpose
Open Communication	Listening for understanding Being honest Respecting others' opinions Giving constructive feedback Knowing it is ok to say, "I don't understand" Knowing we communicate by our appearance, our action and our words
Fairness	Doing the right things for the right reasons Giving everyone the opportunity to grow and succeed Providing good services to ALL of our citizens Taking the needs of the organization and the employee into account

Goals, Objectives, Measures and Initiatives

Durham's citywide Strategic Plan is based on the Durham City Council's vision for the community. In developing the Strategic Plan, the five goal teams met for approximately three months to review the existing plan and recommend changes based on stakeholder, resident, and staff input. All major changes to the plan including realignment were approved by the City Council on April 15, 2013.



Goal 1: Strong and Diverse Economy

Maintain and grow a strong and diverse economy through a variety of businesses, industries, and employment opportunities for the community.

Outcome Measures

- Mean Salary
- Median Salary
- Percent Growth in Tax Base
- Employment Growth
- Percent of Jobs within High Growth Sectors
- Poverty Indicators

Objectives and Intermediate Measures

Initiatives

Objective: Target Business/Industry Recruitment Efforts

Intermediate Measures:

- Number and Value of Non-Residential Building Permits
- Net Gain in Jobs
- Net Gain in Businesses
- Number of high growth industry jobs created annually
- Announced Capital Investment by Industry annually

- Assess Existing Technical and Financial business programs supportive of Small Business/Start Ups to determine most responsive programs/gaps to be addressed

Objective: Ensure Well Trained, Qualified Community Workforce

Intermediate Measures:

- High School Graduation Rate and GED attainment
- Percent of Community with a post-secondary credential
- % of students graduated from Local Jobs Training Programs obtaining employment
- Percent of Durham population enrolled in Adult Literacy or Basic Education classes
- Percent increase of students completing training programs

- Increase number and type of opportunities in Durham YouthWork Internship Program – in conjunction with County, Durham Public Schools and economic development partners (**Joint City-County-DPS Initiative**)
- Increase administration of Career Readiness Certification Tool
- Assess Training Opportunities at Area Schools and DTCC based on Key Industries
- Survey Major Employers in target industries to determine employment percentages of Durham residents at their companies

<p>Objective: Sustain a Favorable Development Climate</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Number and Value of Residential and Commercial Building Permits • Ratio of Commercial/Industrial/Residential Tax Base 	<ul style="list-style-type: none"> • Develop two pilot programs and implement two regulatory changes impacting components of the Development Review Process
<p>Objective: Encourage Startup, Retention and Expansion of Current Businesses</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Number of businesses locating into and out of Durham • Percent increase of sales tax revenue • Percent increase of tax revenue 	<ul style="list-style-type: none"> • Evaluate the Effectiveness of Existing Incentive Policies and Programs (Financial, Workforce Development and Infrastructure Based) that are Focused on Business Development • Develop Communication Strategy to inform start-ups and existing businesses about resources
<p>Objective: Leverage Local and Regional Workforce Development Partnerships</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Percent of JobLink Openings filled within current FY • Number of Job Placements Overall filled within current FY 	<ul style="list-style-type: none"> • Enhance and Promote Apprenticeship and Internship Programs in conjunction with state and local partners • Employ new tracking software in Durham JobLink Career Center System that helps with matching and tracking • Expand network of places to recruit qualified, but unemployed job seekers to include university career centers and staffing agencies

Goal 2: Safe and Secure Community

Provide safe and secure neighborhoods which are fundamental to the quality of life and economic vitality of the city.

Outcome Measures

- Part 1 Property Crimes Per 100,000 Residents
- Part 1 Violent Crimes Per 100,000 Residents
- Property Crime Clearance Rate
- Violent Crime Clearance Rate
- Residents' Perception of Safetyⁱ
- Cardiac arrest resuscitation rateⁱⁱ
- Resident or FF injury/fatality rateⁱⁱⁱ
- Fire property loss (dollar amt.)

Objectives and Intermediate Measures

Initiatives

Objective: Reduce the Occurrence and Severity of Crime

Intermediate Measures:

- Percent of robberies/aggravated assaults committed w/firearms
- Percent of Priority 1^{iv} emergency calls meeting response time standards

- Expand the Forensic Services Division for improved lab analysis and completion of evidence processing
- Implement a mental health initiative to route patients to proper care while reducing the impact on the emergency response system

Objective: Improve Public Perception of Safety

Intermediate Measures:

- Percent favorable in "Visitor Safety Perception"^v
- Percent favorable in "Nearby Resident Perception of Durham"

- Implement a neighborhood canvassing program which ensures regular public education activity in neighborhoods with high crime and/or fire incidence
- Expand the Crime Prevention through Environmental Design (CPTED) program to maximize safety for American Tobacco Trail users
- Partner with the Durham Public School system (DPS) and local, private entities to

ⁱ Refers to the biennial survey of residents conducted by the city organization; specifically the question(s) regarding 'perception of safety'

ⁱⁱ This is defined as the patient having a pulse at the time of transfer to advanced medical care and/or hospital care

ⁱⁱⁱ Refers to injuries and/or fatalities recurring at a fire incident or relating to a fire incident

^{iv} Priority 1 calls refers to crimes in progress, and/or calls indicating an immediate threat to life or property exists

^v Data derived from the annual survey conducted by the Durham Convention and Visitors Bureau

	provide training on how to handle active shooter incidents
<p>Objective: Ensure high survivability of fire, medical, and other hazardous emergencies</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> Percent of emergency calls meeting response time standards 	<ul style="list-style-type: none"> Expand inter-agency collaboration to maximize code compliance for commercial structures Provide CPR/AED training or certification for all requesting City and County employees Partner with Durham County and Durham Public Schools to provide CPR/AED training or certification in the community (<u>Joint City-County-DPS Initiative</u>) Utilize automatic vehicle locator technology (AVL) on emergency apparatus to reduce response times

Goal 3: Thriving, Livable Neighborhoods

Strengthen the foundation, enhance the value, and improve the quality and sustainability of neighborhoods.

Outcome Measures

- Resident Perception of Overall Quality of Neighborhoods
- Measure of Community Health(via NVI)
- Affordable, Safe, and Healthy Housing
- Access to Transit, Pedestrian, and Bicycle Facilities and Services
- Access to Open Space and Recreational Opportunities
- Environmental Stewardship

Objectives and Intermediate Measures

Initiatives

Objective: Improving the Quality of Neighborhoods

Intermediate Measures:

- Percent increase of neighborhoods with improving quality of life variables
- Percent of residents who are satisfied or very satisfied with the quality of life in their neighborhood

- Develop a Neighborhood Vitality Index (NVI) model and use the data to improve the quality of neighborhoods

- Target resources to neighborhoods scoring below the benchmark on NVI

- Establish a partnership targeted at revitalizing Southside neighborhood

- Develop partnership activities for “Durham on the Move” (**Joint City-County Initiative**)

Objective: Increase Access to Affordable, Safe, and Healthy Housing

Intermediate Measures:

- Percent of households represented by a neighborhood association
- Number of homeless persons from Point in Time Count
- Percent of households paying no more than 30% of Income for Rent
- Percent of noncompliant houses that become code compliant annually

- Develop a long-term plan to end homelessness

- Develop white papers that highlight best practices to inform future actionable outcomes by using data

- Develop a plan to respond to Housing Impediment study

Objective: Increase value and Stability of Neighborhoods through access to transportation choices, open space

- Implement adopted plans to improve visibility and accessibility of alternate

<p>and recreational facilities</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Percent of recreational types in the citywide park system that have at least one accessible location • Percent of residents who take transit, walk, bike, or less polluting options to work • Percent of residents within a quarter mile of bus service that runs at least every 30 minutes 	<p>modes of transportation, open space, parks and recreational facilities (ie: Durham Walks! Pedestrian Plan, the Durham Comprehensive Bicycle Transportation Plan, the Durham County Bus and Rail Investment Plan, and the Durham Trails and Greenways Master Plan)</p> <ul style="list-style-type: none"> • Map Durham City-County public/private Open Space by 2014
<p>Objective: Increase Environmental Awareness and Action in the Community</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Percent of Residential Greenhouse Gas Emissions reduced by program participants • Number of trees planted through partnerships and City efforts • Percent decrease in litter in targeted areas following education campaign • Waste stream diversion rate 	<ul style="list-style-type: none"> • Teach Environmental Stewardship (e.g. Education and Training about Energy, Solid Waste, and Water) (<u>Joint City-County Initiative</u>) <ul style="list-style-type: none"> a. Conduct energy education outreach in neighborhoods including the Spanish speaking community in Durham b. Implement comprehensive campaign to increase residents' awareness and actions to address environmental issues. c. Develop and implement a program to plant trees throughout Durham in conjunction with community partners • Create and market an on-line resource for businesses to access information and resources to reduce their environmental impact • Implement new awareness program to decrease litter and improve appearance

Goal 4: Well-Managed City Provide professional management that is accountable, efficient, and transparent.	
Outcome Measures	
<ul style="list-style-type: none"> Resident Satisfaction Rating Employee Satisfaction Rating Per Capita Tax Burden Fiscal Wellness Index (debt ratio, bond rating and fund balance) 	
Objectives and Measures	Initiatives
Objective: Provide Seamless Services Intermediate Measures: <ul style="list-style-type: none"> Percent of residents that are satisfied or very satisfied with the accuracy of information received by City employees Percent of residents that are satisfied or very satisfied with the resolution of an issue or concern Percent of Durham One Call complaints that are resolved within the set benchmark Resident Satisfaction with Service Delivery Percent increase of number of calls to Durham One Call 	<ul style="list-style-type: none"> Promote increased use of Durham One call through education, promotions, etc. to streamline and enhance residents' experiences with the City departments
Objective: Promote Strong Financial Management Intermediate Measures: <ul style="list-style-type: none"> Quarterly Financial Report results (Percent of Revenues Projected at Year-End Compared to Budget and Percent of Departments within Budget) Percent of Fees Collected Number of Significant Material Findings in Internal and External Audits Percent of Revenue from Property Tax, Sales Tax, and State Shared Revenues and Fees for Services Percent of performance measures at or 	<ul style="list-style-type: none"> Coordinate the development of multi-year financial plans for all enterprise funds Develop a strategy to fund the Capital Improvement Plan Develop a tool for tracking performance measures Develop revenue diversification model

above target	
<p>Objective: Align Resources with City Priorities</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Percent/Number of City Departments with Strategic Plans and Performance Measures Aligned with the City's Strategic Plan • Percent of new funding that is tied to plan initiatives 	<ul style="list-style-type: none"> • Identify and analyze key organizational processes to ensure alignment with organizational priorities • Use performance and benchmarking data to improve low performing areas and ensure operational excellence and use of best practices • Increase and diversify resident engagement
<p>Objective: Establish an Exceptional, Diverse, Engaged and Healthy Workforce</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Employee Turnover Rate • Employee Satisfaction Rating on Biennial Employee Opinion Survey • Employee Engagement Index • EEOC Statistics 	<ul style="list-style-type: none"> • Implement Culture of Service certification program • Develop and Deploy a Comprehensive Employee Wellness Program • Maximize employee development through training opportunities <u>(Joint City-County Initiative)</u> • Develop a citywide Communication Strategy using the Intranet as the communication hub • Develop recruitment strategies to address EEOC deficiencies • Establish Joint City-County Habitat for Humanity partnership <u>(Joint City-County Initiative)</u>

Goal 5: Stewardship of City's Physical Assets

Plan, provide, and maintain adequate infrastructure which supports quality of life and serves as a foundation of a healthy economy.

Outcome Measures

- Percentage of assets (by category) performing at or above established standards
- Resident satisfaction survey responses

Objectives and Measures

Initiatives

Objective: Develop and maintain transportation system to an established target level of effectiveness and quality

Intermediate Measures:

- Pavement Condition Ratings
- Linear feet of new sidewalks constructed or repaired/replaced to meet ADA requirements
- Number of new bicycle route miles constructed
- Percent of arterial streets with pedestrian facilities
- Percent of residents within ¼ mile of bus service
- Percent of residents who take transit, walk, or bike to work
- On-time performance of transit system
- Occupancy rates of public parking facilities

- Develop Transportation Asset Management Plan
- Develop/Implement a Transportation Asset Management System
- Identify Critical Transportation Assets
- Develop a Transportation Asset Maintenance Plan
- Develop a 10-year pavement rehabilitation program
- Improve gateways/entryways to City as approved by Council through work with Durham City-County Appearance Commission and Durham Appearance Advocacy Group (**Joint City-County Initiative**)
- Implement the Designing Better Bus Service plan recommendations
- Implement the Durham Bus and Rail Investment plan

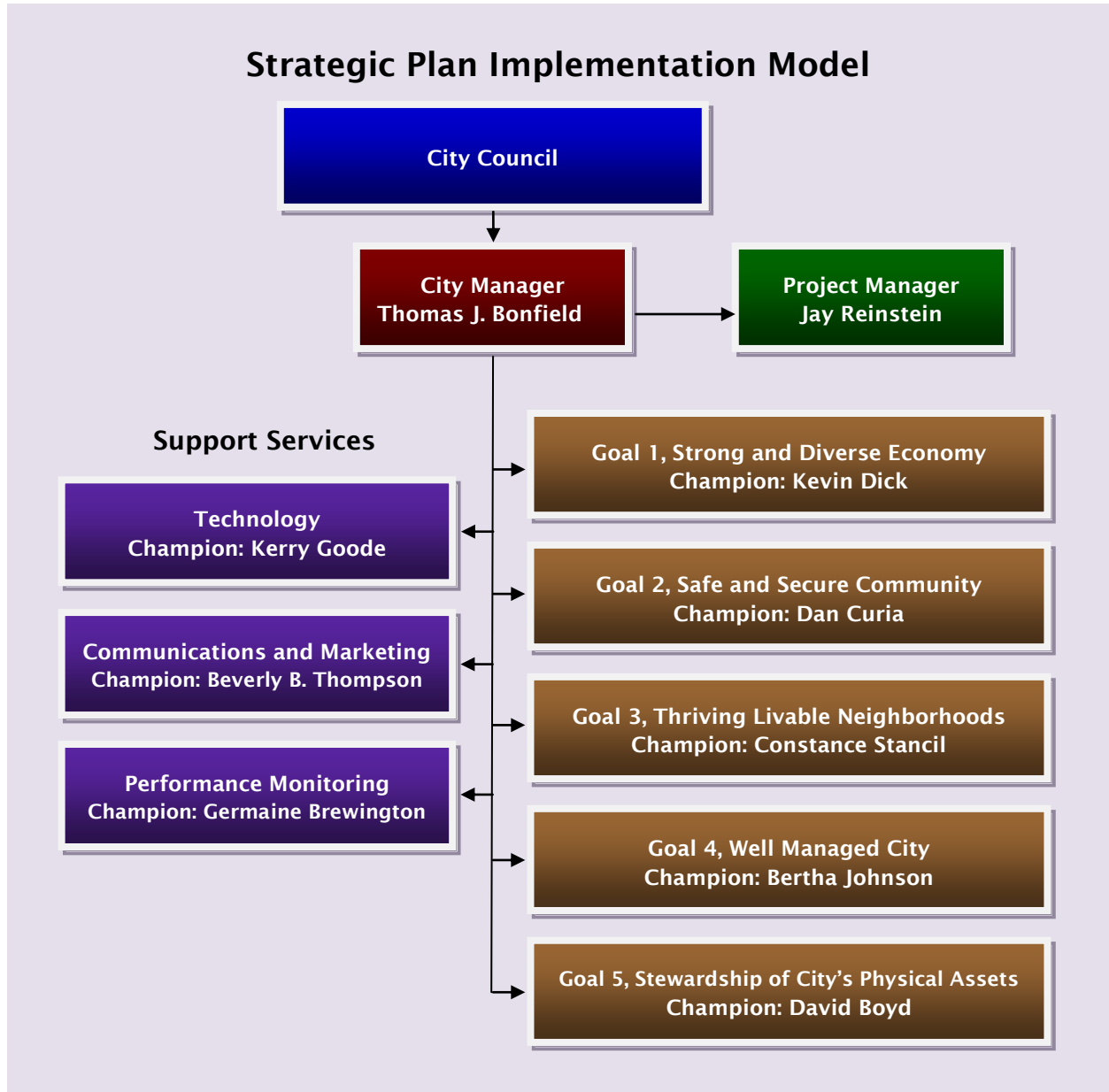
	<ul style="list-style-type: none"> • Implement the Durham Trails and Greenways Plan • Implement the Durham Walks Pedestrian Plan • Implement Downtown Parking Study recommendations
<p>Objective: Develop and maintain facilities, parks/open space, and equipment to an established target level of effectiveness and quality</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Percent of City's property inventory that has been verified as accurate and current • Percent of facilities for which maintenance plans have been developed • Percent of facilities maintained pursuant to developed plan • Number of recreational facilities per capita • Number of acres of open space per capita 	<ul style="list-style-type: none"> • Develop Facility, Parks/Open Space and Equipment Asset Management Plans • Develop/Implement Facility, Parks/Open Space and Equipment Asset Management Systems • Identify Critical Facilities, Parks/Open Space and Equipment • Develop Facility, Parks/Open Space and Equipment Asset Maintenance Plans • Determine feasibility to implement Citywide Fiber Optic Network
<p>Objective: Develop and maintain water/wastewater systems to an established target level of effectiveness and quality</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Percent compliance with drinking water standards • Percent compliance with water quality standards (WRF discharge) • Number of repeat SSOs • Number of water main breaks per 100 miles of distribution system 	<ul style="list-style-type: none"> • Develop water/wastewater Asset Management Plan • Develop/Implement a water/wastewater Asset Management System • Identify Critical water/wastewater Assets • Develop a water/wastewater Asset Maintenance Plan for critical assets • Plan, Design and Construct new

	facilities for compliance with the 2016 Falls Lake and Jordan Lake Rules
<p>Objective: Develop and maintain stormwater system to an established target level of effectiveness and quality</p> <p>Intermediate Measures:</p> <ul style="list-style-type: none"> • Linear feet of storm drain infrastructure installed/replaced • Linear feet of stormwater pipe video inspections performed • Stream Quality Index 	<ul style="list-style-type: none"> • Develop stormwater Asset Management Plan • Develop/Implement a stormwater Asset Management System • Identify Critical stormwater Assets • Develop a stormwater Asset Maintenance Plan • Enhance efforts to detect and control stormwater pollution sources

Strategic Plan Implementation

The Approach

It is important to institutionalize planning as a process that is used to guide the organization in making key decisions and tracking progress towards achieving its goals. Therefore strategic planning must be implemented as a process not just the production of annual documents.



Implementation Team

The purpose of the Strategic Plan Implementation Team is to ensure the plan is used as the roadmap for present and future organizational efforts. In addition to this overarching purpose, there are a number of specific responsibilities detailed below:

- Institutionalize and promote the strategic planning process
- Shift to a performance-managed organization
- Promote collaboration across departments and divisions
- Guide decision-making based on data including allocation of resources
- Ensure continuous organizational education and learning in related subjects

Goal Champions

- Point-of-contact for information and reporting progress associated with all aspects of assigned goal
- Ensure progress is being made and milestones met
- Liaison to ad hoc teams

Performance Monitoring

- Establish data collection protocols and schedule
- Oversee data analysis and reporting functions

Communication and Marketing

- Develop an internal and external communication plan to include marketing and branding the Strategic Plan

Technology

- Provide technology support to the Goal Champions and Initiative teams
- Increase the effectiveness and efficiency of the processes associated with strategic plan execution through the use of technology

Implementation Team	
Kevin Dick (Goal 1/Champion)	Office of Economic and Workforce Development
Alysia Bailey-Taylor (Goal 1/Vice Chair)	City-County Planning Department
Dan Curia (Goal 2/Champion)	Fire Department
Jim Soukup (Goal 2/Vice Chair)	Durham Emergency Communications Center
Larry Smith (Goal 2 Vice Chair)	Police Department
Constance Stancil (Goal 3/Champion)	Neighborhood Improvement Services Department
Keith Herrmann (Goal 3/Vice Chair)	Finance Department
Bertha Johnson (Goal 4/Champion)	Budget and Management Services Department
David Boyd (Goal 5/Champion)	Finance Department
Steve Medlin (Goal 5 Vice Chair)	City-County Planning Department
Chris Boyer (Goal 5/Vice Chair)	General Services Department
Beverly Thompson (Champion/ Communication)	Office of Public Affairs
Amy Blalock (Vice Chair/Communication)	Office of Public Affairs
Kerry Goode (Champion/Technology)	Technology Solutions Department
John Stinson (Vice Chair/Technology)	Technology Solutions Department
Germaine Brewington (Champion/ Performance Monitoring)	Audit Services Department
Gina Morais (Core team)	Parks and Recreation Department
Maria Ratliff (Core team)	Fire Department
Jay Reinstein (Project Manager)	Budget and Management Services Department

ClearPoint/Dashboard Team	
Mary Beth Hollmann	City Manager's Office
Fred McCurdy	Technology Solutions Department
John Stinson	Technology Solutions Department

Community Partnerships

Goal	Partners
1. Strong and Diverse Economy	<ul style="list-style-type: none"> • Duke University • Duke University Health System • Downtown Durham, Inc. • Durham Technical Community College • N.C. Employment Security Commission • Small Business Advisory Committee • Durham Workforce Development Board • Durham Housing Authority • North Carolina Central University • Greater Durham Chamber of Commerce • N.C. Division of Workforce Solutions • Durham County Government • Durham Convention and Visitors Bureau • Durham Public Schools • Durham Literacy Center • PACs/Inter-Neighborhood Council (INC)
2. Safe and Secure Community	<ul style="list-style-type: none"> • PACs/INC • Durham Public Schools • Durham County Manager's Office • Durham County EMS • Durham Housing Authority • Durham Tech Community College • Duke University • Center for Public Safety Excellence • Alliance Behavioral Healthcare • Durham Crisis Response Center • Medic 1 Foundation • N.C. Office of the State Fire Marshall • FEMA • Media • Crime Stoppers • N.C. Child Response Initiative • BECOMING • Juvenile Crime Prevention Council • District Attorney's Office • Durham County Sherriff's Office • SBI

	<ul style="list-style-type: none"> • FBI • U.S. Immigration and Customs Enforcement • Bureau of Alcohol Tobacco and Firearms • DEA • Division of Alcohol Law Enforcement • U.S. Marshall's Office • US Secret Service • Red Cross • Probation and Parole • Residents
3. Thriving Livable Neighborhoods	<ul style="list-style-type: none"> • Durham Area Transit Authority (DATA) • Triangle Transit • Duke University/Duke University Health System • North Carolina Central University • Durham County Government • PACs/INC • Neighborhood Associations • Clean Energy Durham • Habitat for Humanity • DHA • Environmental Protection Agency (Region 4) • Federal Highway Administration • Department of Transportation • Housing & Urban Development • NC Department of Commerce • NC Department of Transportation • NC Department of Environmental Natural & Resources • Triangle J Council of Governments • University of North Carolina – Chapel Hill • North Carolina State University • Research Triangle Park • Preservation North Carolina • El Centro Hispano, Durham • Durham Public Schools • Durham Rescue Mission • Residents
4. Well-Managed City	<ul style="list-style-type: none"> • Blue Cross Blue Shield • PACs/INC • Residents
5. Stewardship of City's Physical	<ul style="list-style-type: none"> • Triangle Transit Authority (TTA)

Assets	<ul style="list-style-type: none"> • DOST • Durham City-County Appearance Commission • NCDOT • Development Community • Utility Service Providers • Residents
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Appendix

Definition of Terms

Core Values	Principles that govern our behavior and the way we do business.
External Opportunities	The factors or situations that exist beyond our organization that may have a favorable effect on it.
External Challenges	The factors or situations that exist beyond our organization that can negatively affect it.
Goals	Broad statements of measurable outcomes to be achieved on behalf of customers.
Initiatives	Specific programs, strategies and activities that will help us meet our performance targets.
Measures	Meaningful indicators that assess progress toward the accomplishment of our goals and measures.
Internal Strengths	The resources or capabilities our organization has that can be used for accomplishing our mission and vision.
Internal Weaknesses	The deficiencies in resources or capabilities that currently exist that might hinder our organization's ability to be successful.
Key Customers	Any person, group or organization receiving our product(s) and/or service(s).
Mission Statement	Statement of purpose; fundamental reason for an organization's existence.
Outcome Measures	Purpose, direction, or priorities of plan that can be measured.
Objectives	Statements of what we must do well or barriers that we must overcome to achieve a specific goal.
Core Products and Services	Deliverables that the customer receives.
SWOC	Assessment of internal strengths, internal weaknesses, external opportunities, and external challenges.
Targets	The numerical value of the performance measure we hope to achieve.
Vision Statement	A word picture of the future that the organization intends ultimately to become or to influence.

BUDGET AND FINANCIAL POLICIES

The City of Durham's budget and financial policies serve as the basis for developing the annual operating budget and the six-year Capital Improvement Program. The policies also serve as the basis for the City's overall financial management.

The Local Government Budget and Fiscal Control Act governs much of the activities that occur in budget preparation and execution. The City has instituted other policies voluntarily in order to address issues that are specific to Durham. Both types of policies are noted below.

Operating Budget Policies

State Statutes:

- The City of Durham will operate under an annual balanced budget ordinance in which the sum of estimated net revenues and appropriated fund balance is equal to appropriations.
- By State Statute, the annual budget for all City funds, including enterprise funds, is prepared using the modified accrual basis of accounting. This basis of accounting recognizes revenues either when they are received in cash (such as licenses or fines) or when the collection of the amount can be reasonably estimated to be received in the near future (such as property taxes). Expenditures in a modified accrual system are generally recognized in the period in which goods or services are received or when a liability is incurred. Beginning with the FY 2001-02 Comprehensive Annual Financial Report, the City is accounting for its funds on both a full accrual and a modified accrual basis, in compliance with GASB 34.
- The General Fund has an officially adopted annual budget. The appropriations in the budget ordinance within the General Fund are shown at the fund level. Although General Statutes and generally accepted accounting principles do not require an annual balanced budget for the remaining funds, all governmental and enterprise funds have legally adopted balanced budgets.
- The City may establish and operate one or more internal service funds. At the same time that it adopts the budget ordinance, the City Council must approve a balanced financial plan for each internal service fund. A financial plan is balanced when estimated expenditures do not exceed estimated revenue.
- All grants received from the federal or state governments for operating or capital purposes will be recognized in separate grant project ordinances. A balanced grant project ordinance must be adopted prior to beginning the project. A grant project ordinance is balanced when estimated expenditures do not exceed estimated revenue. Information on each grant project ordinance is included in the Annual Budget.
- The City's budget ordinance will cover a fiscal year beginning July 1 and ending June 30. In order to have the budget ordinance approved by July 1, the Preliminary Budget, together with a budget message, will be submitted to the City Council no later than June 1.
- A public hearing will be held on the Preliminary Budget prior to adoption of the budget ordinance. Notice of this public hearing will be published in the Herald-Sun. This notice will

**Policy Subject**

Debt Policy

Effective Date

09-17-2012

Department

FINANCE

Revision 1**Policy Number**

FP 707

To City Employees

Thomas J. Bonfield, City Manager**I. Purpose**

To provide guidance for the issuance of City debt and the maintenance of the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities, and equipment beneficial to the City and necessary for essential services. The City of Durham issues and manages debt in accordance with the Local Government Bond Act, North Carolina General Statutes (N.C.G.S.) Chapter 159 Article 4 which prescribes a uniform system of limitations upon and procedures for the exercise by all units of local government in North Carolina of the power to borrow money secured by a pledge of the taxing power; and the limitations on local debt as noted in N.C.G.S. 159-55. Other applicable provisions to certain debt and debt refunding actions are contained within N.C.G.S. Chapter 159, Local Government Finance. Long term planning to meet the current and future capital needs of Durham require a sound debt position and guidelines that protect the credit quality of the City.

II. Policy

It is the policy of the City of Durham to establish the scope and purpose for the issuance of debt instruments consistent with the limitations of the North Carolina Local Government Bond Act. This policy specifies Uses of Debt Financings, Responsibility, Service Providers and Oversight, Refundings, Arbitrage Compliance, Credit Ratings, Reporting and Disclosure, Capital Acquisition,

III. Definition

Advance Refunding - A refunding in which the refunding bonds are issued more than 90 days prior to (in advance of) the date upon which the refunded bonds will be repaid. Typically, the proceeds of the refunding bonds are placed in escrow and invested in obligations of the federal government. Payments received on the investments held in escrow are then applied to make payments on the refunded bonds as they become due (including by redemption).

Arbitrage - With respect to the issuance of municipal securities, arbitrage refers to the difference between the interest paid on bonds that are subject to the Code and the interest earned by investing the proceeds of the bonds in higher-yielding securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with bonds that are issued subject to the Code. The payment represents the amount, if any, of arbitrage earnings on bond proceeds and certain other related funds, except for earnings that are not required to be rebated under limited exemptions provided under the Internal Revenue Code. An issuer generally is required to calculate, once every five years during the life of its bonds, whether or not an arbitrage rebate payment must be made.

Bond Counsel - The attorney or firm of attorneys that gives the legal opinion delivered with the bonds confirming that the bonds are valid and binding obligations of the issuer and whether interest on the bonds is exempt from federal and state income taxes.

Bonds - A debt obligation, or a written promise to pay back an amount (face value of the bond), plus interest, by way of periodic payments within a specified period of time.

Bond Rating - An evaluation of the credit risk associated with a particular bond issue by internationally recognized independent rating agencies (Fitch, Moody's or Standard & Poor's). The City of Durham general obligation bond ratings are currently Aaa/Aaa/AAA ratings, respectively.

Capital Projects - Generally, major City projects with a cost of at least \$100,000. Capital projects can include the cost of land acquisition, construction, renovation and/or the acquisition of major equipment.

Certificates of Participation (COPs)/Limited Obligation Bonds (LOBs) - Alternative financing method requiring no voter approval. The City may issue COPs and LOBs for buildings or equipment using the building or equipment to secure the financing. COPs/LOBs should only be used when the property being financed has sufficient value to secure the debt and will survive the term of the financing. Issuance of COPs/LOBs will be made in accordance with the provisions of N.C.G.S. 159-153 and with the approval of the Local Government Commission.

Competitive Sale - The sale of bonds to the bidder presenting the best sealed bid at the time and

place specified in a published notice of sale. See also Negotiated Sale.

Credit Enhancement - Credit enhancement encompasses a variety of provisions that may be used to reduce the credit risk of an obligation. Credit enhancements are often incorporated into debt instruments. Techniques of credit enhancement include: Collateralization where one or more parties may agree to post collateral and collateral levels may be fixed or vary over time; third party loan guarantees; letters of credit issued by a financial institution; bond insurance where an insurance policy may provide for compensation in the event that a party defaults and surety bonds where a surety (third party) ensures that the principal party (the City) obligations to the obligee (bond holders) will be performed.

Current Refunding - A refunding in which refunding bonds are issued not more than 90 days before the date upon which the refunded bonds will be paid. Generally, the proceeds of the refunding bonds are applied immediately to pay the refunded bonds. Thereafter, the revenues originally pledged to the payment of the refunded bonds are pledged to the payment of the refunding bonds.

Debt Coverage Ratio - A bond covenant or obligation, the ratio is a stipulated formula measurement of the amount of net revenues available from specified revenues to cover required annual debt service payments. The ratio amount and formula for calculation are included in the bond document.

Debt or Bond Covenant - Legal obligations contained in a bond issue document such as a covenant for a specified debt service coverage ratio.

Debt Restructuring - The City is authorized to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management.

Debt Service - The periodic repayment to creditors/holders of debt principal and interest on debt obligations.

Defeasance - To set aside sufficient money to retire outstanding debt. A full defeasance results in release from covenants and contractual obligations contained in the bond documents.

Derivative or Swap Advisor - A specialized firm hired by the City to provide a review and analysis of derivative or swap alternatives and can assist in the procurement of the swap, including conducting a competitive bid. The advisor provides ongoing monitoring of swap market conditions, advice about rates and structure, and participates in reviewing the closing documentation.

Enterprise Fund - A separate fund used to account for operations in which the cost of providing services is recovered primarily through user charges or fees.

Escrow Agent - With respect to an advance refunding, the commercial bank or trust company retained to hold the investments purchased with the proceeds of the refunding and, customarily, to use the amounts received as payments on such investments to pay debt service on the refunded

bonds.

Financing Team - The group of professional services firms needed use to complete a financing. Primarily, this group will include bond counsel, a financial advisor and an underwriter but other firms may also be included on the financing team.

Financial Advisor - A professional consultant retained (customarily by the issuer) to advise and assist the issuer in formulating and/or executing a debt financing plan to accomplish the public purposes chosen by the issuer.

Finance Officer - The City officer performing the duties of finance officer of a unit of local government pursuant to N.C.G.S. 159-24 of the Local Government Budget and Fiscal Control Act. The City of Durham's Finance Officer is the Director of Finance.

Fixed Rate Security - A debt obligation which is sold with a set interest rate when issued and that does not vary during the term of the obligation.

General Obligation Bonds - General Obligation bonds ("G.O.") are secured by a pledge of the full faith and credit of the City to pay the loan through tax revenue or other revenues. General Obligation ("G.O.") bonds are the simplest form of bond security type. The issuance of G.O. Bonds requires an approval of the majority of voters and the approval of the Local Government Commission. The City may sell general obligation bonds (G.O. bonds) to pay for expenses associated with capital projects or any public improvement as described in NC Statute 159-48.

Installment Purchase Contract - An agreement entered into by the City to:

- a. Purchase real and personal property,
- b. Enter into installment purchase contracts to finance the purchase of real and personal property used, or to be used, for public purposes, and
- c. Finance the construction of fixtures or improvements on real property by contracts that create in the fixtures or improvements and in the real property on which such fixtures or improvements are located a security interest to secure repayment of moneys advanced or made available for such construction within the provisions of G.S. 160A-19 or 160A-20.

Lease/Purchase Agreements - An agreement entered into by the City to lease real and personal property from a third party with the option to purchase the property upon expiration of the lease within the provisions of G.S. 160A-19 and with the approval of the Local Government Commission.

Lessor - One who lets property under a lease. The party leasing the property is known as the lessee.

Local Government Commission - The Local Government Commission (LGC) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment. The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission. A major

function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by the Local Government Budget and Fiscal Control Act.

Negotiated Sale - A method of bond sale in which the terms and price of the bonds are negotiated by the issuer through an exclusive agreement with a previously selected underwriter and/or underwriting syndicate. In addition to negotiating the terms and covenants of the issue, the issuer and the underwriter also negotiate pricing of the issue.

Net Interest Cost (NIC) - Net Interest Cost (NIC) is an average interest cost rate for a bond issue, calculated on the basis of simple interest (not compound interest). The NIC calculation does not take into consideration the time value of money. The winning NIC bid may not provide the lowest effective interest cost in present value terms. Because True Interest Cost IC takes into account the time value of money, it generally more accurately measures the issuer's true cost of borrowing than does the NIC. See also TIC.

Parity Debt - With regard to the City's use of revenue bonds to finance enterprise fund capital acquisition, such as water and sewer capital projects; parity debt is the debt associated with the issue of revenue bonds, which are secured by the charges and fees of the City's enterprise fund, such as the water and sewer utility. Subordinate or other debt may exist (such as general obligation bonds issued specifically for water and sewer capital projects and repaid by charges and fees of the utility) without being specifically secured by current utility charges or fees. Parity debt generally requires a higher debt coverage ratio than all debt (parity debt plus subordinate or other debt) in that it is not secured by the full faith and credit of the City.

Private Placements - The offer and sale of a financing by the City directly to one or more investors, rather than through an underwriter. The terms of the placement are often negotiated directly with the investor or lending institution.

Refunding - An issue of new bonds (the refunding bonds) to pay debt service on a prior issue (the refunded bonds). Generally, the purpose of a refunding is either to reduce the debt service on the financing or to remove or replace a restrictive covenant imposed by the terms of the refunded bonds (for example, an excessive coverage ratio). The proceeds of the refunding bonds are either deposited in escrow to pay the refunded bonds when subsequently due (see Advance Refunding) or applied immediately to the payment of the refunded bonds (see Current Refunding). For accounting purposes, refunded bonds are not considered part of the issuer's outstanding debt because the refunded bonds are to be paid from the proceeds of the refunding bonds and not from the revenues originally pledged. Refunded bonds may continue to hold a lien on the revenues originally pledged, however, unless the indenture or bond resolution provides for defeasance of the refunded bonds prior to maturity or redemption.

Revenue Bonds - Bonds issued by the City which are backed with specified revenue sources from an enterprise fund for which the bonds were issued. The City's enterprise funds include fee for service business activities such as the Water and Sewer Fund and the Storm Water Fund. The City

may borrow money from lenders, pledging the revenues from charges and fees of the enterprise fund activities to repay the debt. Revenue bonds do not require voter approval. Issuance of revenue bonds will be made in accordance with the provisions of G.S 159-5 and with the approval of the Local Government Commission.

Trustee - The firm that the City hires to perform one or more of several administrative duties relating to a bond issue.

True Interest Cost (TIC) - True Interest Cost (TIC) is the internal rate of return that will be paid by the issuer to investors. It is the interest rate that discounts the debt service payable for a bond issue to its present value, or net proceeds. The TIC is one of two primary methods used to select the lowest effective interest cost bid in competitive bid sales. Because TIC takes into account the time value of money, it generally more accurately measures the issuer's true cost of borrowing than does the NIC. See also NIC.

Two-Thirds Bonds - The City is authorized to issue general obligation debt under the 2/3 rule, established by G.S. 159-49(2), wherein the City may issue new G.O. bonds up to 2/3 the value of the general obligation debt retired in the prior fiscal year so long as no other new general obligation debt was issued in the same year.

Underwriter or Underwriting Syndicate - Investment banking entity or groups of such entities that purchase, for resale to the public, bonds or other debt obligations issued by the City and/or the LGC on behalf of the City.

Variable Rate Securities - A debt obligation that does not have a fixed interest rate a closing. The interest rate periodically changes based upon an index or a pricing procedure.

Verification Agent - The company hired by the City to verify that the investment of bond proceeds in a refunding or other defeasance have been invested at a rate that does not exceed the amount permitted under federal arbitrage rules.

IV. Procedure

A. Responsibility

The Finance Officer (Director of Finance) has the primary responsibility for developing, recommending and monitoring debt financing and debt refunding/restructuring strategies and instruments. The selection and sourcing of financial consultants and service providers is also within the scope of duties of the Director of Finance. The Treasury Manager, under the direction of the Director of Finance, is tasked with daily operational debt responsibility.

All debt issued by the City will be issued pursuant to the rules, regulations and procedures of the LGC and the laws of the State of North Carolina.

B. Debt Issuance

Subject to the purposes for bond issue noted in NCGS 159-48, the City issues bond financing for the acquisition of or construction of major capital projects. Other debt financing such as COPs, are also available for use on capital projects as deemed in the best interest of the City. Similarly, revenue bonds may be utilized for enterprise fund debt for major capital projects.

Consistent with the limitations of the Local Government Bond Act the City provides for long-term financing needs through the issuance of multiple types of financings. Debt obligations are approved locally and by the Local government Commission as required by state statute.

Referendums, notices and public hearings, as required by state statutes, are conducted prior to final debt approval and issuance.

C. Debt Limits

The City will use the following limitations as guidance for debt issuance:

1. Debt as a Percentage of Assessed Valuation: The City will not exceed a debt to assessed value ratio of 2.50% for debt paid with property taxes. Debt that is paid from the revenues of one of the City's revenue producing enterprises is excluded from this calculation.
2. General Fund Debt Service Limitation: Property tax revenue in the Debt Service Fund less transfers to enterprise funds to pay debt service should not exceed 15% of total expected non-dedicated property tax collections plus all other General Fund revenues. For purposes of this calculation, revenues do not include any expected debt proceeds, transfers in, or use of fund balance. Debt service that is supported by a dedicated revenue stream or anticipated increase in General Fund revenue (i.e. real or synthetic TIF) or paid from enterprise funds is excluded from this calculation.
3. Ten Year Principal Payout: The City will seek to amortize debt as rapidly as possible given certain budget constraints. The City will maintain a percentage of payout in excess of 60% in 10-years.

D. Principles for Debt Issuance

Throughout the debt issuance process, the City will follow the following general principles for the issuance of debt:

1. The City shall seek to maintain the highest possible bond rating without compromising the policy objectives of City.
2. The City will use long-term debt to for the purposes of constructing or acquiring capital assets or for making major renovations to existing capital projects.
3. Long-term debt will not be used to finance current operations or to capitalize expenses. The City will avoid the use of long-term debt to finance on-going maintenance.

4. All debt will be issued to reflect the useful life of the projects. At no time will the City issue debt with a maturity date beyond the useful life of the projects being financed.
5. The City will ensure that adequate systems of internal controls exist to provide reasonable assurance as to compliance with applicable laws, regulations and covenants.
6. The City shall seek to fund projects on a pay-as-you go basis and to obtain other sources of capital besides debt in order to minimize debt levels. However, the City will also seek to balance the tax-burden on current taxpayers with the applicable useful life of the projects in question.
7. All general fund projects to be financed will have been previously included in the City's Capital Improvements Plan (CIP). Any projects not included in the CIP will require specific approval of the City Council/City Manager prior to inclusion in a financing.
8. The City will monitor its debt portfolio in relation to current market conditions in order to refinance debt where sufficient savings will be realized.

E. Types of Debt

State law allows the City to utilize a wide-variety of tools to finance capital projects.

Throughout the financing process, the City will evaluate these requirements in conjunction with the timing requirements of each project and select the financing vehicle which will offer the best combination of lowest cost of borrowing and meet the other applicable requirements of the financing. The following list outlines only the most common financing vehicles available to the City:

1. General Obligation Bonds
2. 2/3rds Bonds
3. Enterprise Revenue Bonds
4. Certificates of Participation/Limited Obligation Bonds
5. Installment Purchase Contracts

The list is not an exhaustive list of options available to the City. The City will evaluate other financing options, their legality under state statutes and whether their use would result in improved financing results for the City.

In addition to the financing options listed above, the City will consider the following factors when financing City projects and evaluating conduit financings:

1. G.O. Bonds: The City will seek voter authorization to issue GO Bonds as directed by the City Council, and in accordance with North Carolina General Statute (NCGS) 159-49. Such authority will be sought only after it is determined that the project costs

are eligible and appropriate for multi-year financing.

2. Enterprise Supported Debt: The City may finance the needs of its revenue producing enterprise activities through the issuance of revenue-secured debt obligations. Prior to the issuance of any revenue-secured debt, the City will develop a financial plan and projection showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on ratepayers, property owners and other affected parties.

3. Conduit Debt: The City may sponsor conduit financing for activities that have a general public purpose (economic development, affordable housing, etc.) and are consistent with the City's public policy objectives. All conduit financings must insulate the City from any credit risk or exposure. The Conduit borrower will be responsible for complying with all arbitrage rebate requirements or other regulations related to the issuance of the bonds. Prior to closing the bonds, the borrower will enter into a contract for arbitrage rebate service with a firm approved by the Director of Finance or designee.

4. Short-term Debt: As part of the City's capital planning process, the City will actively engage in the analysis of short-term and/or interim financing. The use of these products/services will be used to lower the overall borrowing costs of a project or series of projects and will be evaluated by the Treasury Manager and Director of Finance. They will only be used when they are advantageous to the City. The financing options include Lines/Letters of Credit, Bond Anticipation Notes (BANs), Tax and Revenue Anticipation Notes (TRANs) and Commercial Paper (CP). Other legally available short-term solutions will also be evaluated.

5. Internal Financing: As an additional financing option, the City will evaluate the use of internal sources to finance capital improvement projects or other purchases (in place of third-party financing). The City will evaluate the use of this type of financing when it creates either economic or administrative efficiencies. The loans will be repaid in full and may not be forgiven except with the written authorization of the Director of Finance or City Manager.

6. Interest Rate Exchange Agreements: As an additional financing options, the City will evaluate the use of Interest Rate Exchange agreement that conform to the City's Interest Rate Exchange Agreement Policy, FP 708.

F. Method of Sale

The City will evaluate debt obligations on a case-by-case basis and select a type of offering that will result in the best financing outcome for the City. Generally, the City will seek to issue its debt obligations using a competitive process unless it is determined by the Director of Finance that an alternative sale method will produce better results for the City. When bonds are to be sold at a competitive sale, the City specifies all the terms of the issue other than interest rates and purchase price.

Prior to presenting bids the underwriters evaluate the credit quality of the issue and the municipal market and may form syndicates or selling groups. The bonds are awarded to the underwriters presenting the best bid based on the criteria specified in the notice of sale. When determined to be appropriate by the Director of Finance, the City may elect to sell its

debt obligations through a negotiated sale. During a negotiated sale, the Underwriter is customarily active in all aspects of structuring the negotiated deal. Selection of the underwriter can be based on many different considerations including, but not limited to, expertise with a particular type of issue, market expertise, reputation, guaranties of maintaining a maximum gross spread, as well as prior relationships with the issuer.

Such determination may be made on an issue-by-issue basis, for a series of issues, or for part or all of a specific financing program in accordance with North Carolina General Statute (NCGS) 159-49 as allowed by state law.

Alternatively, the City may elect to sell its debt obligations through a private placement to a specific investor. Such a determination may be made on an issue-by-issue basis, for a series of issues, or for part of or all of a specific financing program. As a practice, the City will solicit investor interest prior to selecting a specific investor.

G. Debt Refunding

The City will evaluate the opportunity to refinance outstanding debt to realize economic savings or to accomplish strategic public policy objectives within the following parameters:

1. Advance refundings of outstanding bonds for economic savings may be undertaken when initial estimates illustrate net present value (NPV) savings of at least five percent (5%) of the refunded debt on a stand-alone basis. Lower savings targets may be acceptable if PV savings are over \$1 million, or if the refunding will be completed in conjunction with a new issue and realize economies of scale due to the combination of multiple issues.
2. Current refundings of outstanding bonds for economic savings may be undertaken when initial estimates illustrate net present value (NPV) savings of at least three percent (3%) of the refunded debt on a stand-alone basis or NPV savings are over \$1 million. The City will evaluate all current refunding opportunities when it is preparing to issue other debt.
3. Savings requirements for current or advance refundings undertaken to restructure debt may be waived by the Director of Finance upon a finding that such a restructuring is in the City's overall best financial interests. A refunding with negative savings will not be considered unless it fulfills a compelling public policy objective.
4. Financial transactions, using Swaps or other derivative products, intended to produce the effect of a synthetic advance refunding, must generate significantly greater savings than the benefit thresholds outlined in this section. Additionally, the City will not move forward with a synthetic refunding unless a traditional transaction would meet the savings targets outlined in this section.
5. Open Market Purchase of City Securities: The City may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible.

H. Fixed Rate and Variable-Rate Securities:

The City will issue the majority of its debt at fixed rates. In response to market conditions including an analysis of interest rate risk, the City may choose to issue securities that pay a

rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds. The City will have no more than twenty percent (20%) of its outstanding bonds in variable rate form.

I. Service Providers and Oversight:

The City will evaluate the use of external service providers on a case by case basis. The City will seek to hire firms that are experts in their field of expertise and will aid the City in achieving the lowest cost of funds for a given financing. These firms may include but are not limited to the following categories:

1. Bond Counsel: The City will retain external bond counsel for all debt issues. All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, stating that the City has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status. The selection criteria for bond counsel will include comprehensive municipal debt experience, experience with complex financings and a high level of expertise with state and federal laws related to the municipal borrowing activities.
2. Financial Advisor: The City will retain an external financial advisor. The utilization of the financial advisor for certain bond sales will be at the discretion of the Department of Finance on a case-by-case basis and pursuant to the financial advisory services contract. The selection criteria for financial advisors will include comprehensive municipal debt experience, experience with diverse financial structuring requirements and pricing of municipal securities.
3. Underwriters: The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. If a negotiated sale is selected, the City will select an underwriter based on results of a competitive process. The City reserves the right to maintain a pool of qualified underwriters and select participants on an issue based on each firm's strengths.
4. Other Services: The Director of Finance shall periodically solicit other service providers (escrow agents, verification agents, trustees, swap advisors, arbitrage compliance consultants, etc.) as needed to facilitate the sale of bonds or the post-sale management of bond issues. The City's financial advisor will, on occasion, facilitate the selection process. The City will seek to fund all bond related costs from bond proceeds at closing.

All bonds issued under the authority of the Local Government Bond Act are approved by the Local Government Commission. Approval of an application as noted in N.C.G.S. 159-51 for a bond issue to the LGC is contingent on criteria established in N.C.G.S. 159-52.

J. Investment of Bond Proceeds and Arbitrage Compliance

Proceeds from the sale of bonds should be invested up to the bond yield on each bond issue when possible. It will be the goal of the City to maximize these earnings while maintaining the appropriate liquidity to ensure availability of funds for the projects. This will include the

evaluation of all legally available investment vehicles. The investment strategy for bond proceeds will be set on a case-by-case basis.

Federal law requires that certain investment earnings in excess of the bond yield (arbitrage earnings) must be paid to the Federal Government under specific circumstances in the form of arbitrage rebate payments. The Department of Finance will invest bond proceeds at the highest yield possible, consistent with the City's investment policy and any restrictions imposed by the governing documents of each series of bonds. The Department of Finance is responsible for monitoring investments and cash flows of the City's bond funds, and contracting for third party arbitrage compliance calculations, if deemed necessary. The Department of Finance will pay arbitrage rebates due from investment earnings on the related bond proceeds pursuant to federal law.

The payment of arbitrage rebate will be viewed positively by the City and it should be the goal of each bond sale to owe arbitrage rebate as it reflects a maximization of investment earnings on a bond issue.

K. Credit Ratings

Rating Agency Relationships: The Director of Finance shall be responsible for maintaining relationships with the rating agencies that assign ratings to the City's various debt obligations. This effort shall include providing periodic updates on the City's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

Use of Rating Agencies: The Director of Finance shall be responsible for determining if a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

Credit Enhancement: The City shall seek to use credit enhancement (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancement proves cost-effective. Selection of credit enhancement providers should be conducted using a competitive process when practical.

L. Reporting and Disclosure:

Required annual reporting on debt is contained in the Comprehensive Annual Financial Report (CAFR) as well as the City of Durham, North Carolina Final Budget. Additionally, the City Council holds annual budget and fiscal retreats where the Director of Finance presents details of the City's debt issuance plans. The City's current and future debt positions, debt capacity, and debt planning are outlined and ratios and trends are discussed. The City will provide ongoing disclosure information to established information repositories and remain in compliance with disclosure standards promulgated by state and national regulatory bodies.

M. Policy Exceptions

Any deviation from this policy must be confirmed in advance and in writing by the Finance Officer to the City Manager. The Finance Officer is not authorized to override any policy, procedure or provision that is legally mandated or the result of City Council action.

V. Other

N/A

VI. Attachment

N/A

also state that the Preliminary Budget has been submitted to the City Council and that a copy of the budget is available for review in the City Clerk's office.

City Policies:

- The City's budget will be presented in a program budget format that includes program summaries, current year accomplishments, proposed year budgetary changes, proposed strategies to be employed, and performance measures for each major program or service.
- The City's budget will include five-year revenue and appropriation projections for the General Fund and major enterprise funds. These projections integrate the current financial picture with the outlook over the next five years.
- The City Manager has the authority to transfer funds within a departmental budget or within a fund as set in the budget ordinance. The Budget and Management Services Department staff reviews all budget transfer requests and authorizes all transfers. All administrative budget transfers are documented by the Budget and Management Services Department and tracked in the City's general ledger.
- A budget ordinance amendment is necessary whenever a change is required in the original Budget Ordinance. Those changes primarily involve changes to a fund total. Any amendment must ensure that revenues and appropriations remain balanced. Budget ordinance amendments must be approved by the City Council. All budget ordinance amendments are documented by the City Clerk and the Budget and Management Services Department and tracked in the City's general ledger.

Fund Balance Levels

General Fund

- Fund balance and reserve maintenance are important because they provide financial safety nets in the event of emergencies, economic downturns, or other unforeseen circumstances. Fund balance and reserve maintenance are also major factors considered by bond rating agencies when evaluating the City's credit worthiness.
- To maintain Unassigned Fund Balance ("UFB") in an amount no less than the greater of 12% of the current year's originally adopted Adjusted Budgeted Expenditures, or the amount required by the Local Government Commission (LGC).
- UFB could fall to a level below 12% only at the direction of Council and if it is determined that it is prudent to do so to mitigate current or future risks (e.g., significant revenue shortfalls or unanticipated expenditures), to address unforeseen opportunities or for other emergency purposes.
- If Council directs actions which result in a UFB of less than 12%, then the next year's budget must include a plan to restore the UFB to the minimum level within a reasonable amount of time.
- Any portion of the UFB in excess of 12% of Adjusted Budgeted Expenditures may be considered only for one-time (i.e., non-recurring) expenditures.

Capital Improvement Program

State Statutes

- The City will appropriate all funds for capital projects with a capital project ordinance in accordance with State Statutes.

City Policies

- The Capital Improvement Program (CIP) is a statement of the City of Durham's policy regarding long-range physical development. This plan is developed for a six-year period and is updated and revised annually. To be included in the CIP, each project must require a total expenditure of \$100,000.
- In all likelihood, the completion of capital projects will impact the departments' operating budgets as projects are completed and require maintenance and upkeep. Consequently, the impacts of capital projects on the annual operating budget are estimated and noted in the CIP.
- It is essential that CIP project proposals support, rather than contradict, plans and policies previously adopted by the City Council in order to coordinate and direct the physical development of the City. In evaluating each CIP proposal, particular attention is given to conformity of proposals with the Comprehensive Plan, the City's broadest overall policy and planning tool for managing growth.
- The CIP assumes the use of installment sales financing exclusively for either facilities that house City functions or facilities that are joint private-public ventures. This assumption is consistent with the stated goals of maintaining the existing infrastructure and providing City services in an effective and efficient manner.
- The CIP assumes the dedication of investment income toward general capital projects. By City Council resolution, all investment income derived by the General and Capital Projects Funds is dedicated to the Capital Projects Fund. This allows the City flexibility to accelerate or decelerate the spending schedules for capital projects funded on a pay-as-you-go basis, depending on the rate of return received for the City's pooled cash.
- The City will plan the use of Water and Sewer Operating Fund appropriations to capital projects on a multi-year basis to ensure that any future rate increases will be as level as possible throughout the planning period.

City of Durham, NC

Investment Policy

I. Purpose

To provide guidance for the investment of all City funds in conformance with federal, state, and other legal requirements, including *North Carolina General Statute ("NCGS") 159-30*.

This policy applies to the investment of all funds in the City's Consolidated Investment Portfolio, excluding the investment of employees' retirement funds, separate foundation or endowment assets and funds managed by external investment advisors.

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances ("Consolidated Operating Portfolio") from all funds to optimize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles as required by N.C.G.S. 159-30(e).

II. Policy

The investment program shall be operated in conformance with federal, state, and other legal requirements, including *North Carolina General Statute ("NCGS") 159-30*.

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and market risk.

a. Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer, by:

- Limiting investments to the types listed in Section VII of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section V.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of investment or from any one individual issuer will be minimized, where appropriate.

b. Market Risk

The City will minimize market risk, which is the risk that the liquidation value of certain investments in the portfolio will fall due to changes in interest rates, by:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell or redeem investments prior to maturity.

- Investing operating funds primarily in shorter-term investments, money market mutual funds or similar local government investment pools, and limiting the average maturity of the portfolio in accordance with this Policy.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should maintain minimum amounts in cash equivalent investment alternatives (e.g. demand accounts, money market accounts, money market mutual funds, and local government investment pools). The securities portion of the total portfolio should consist largely of securities with active secondary or resale markets.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investments shall generally be held until maturity with the following exceptions:

- An investment with declining credit quality may be sold or redeemed early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the investment be sold or redeemed.

4. Local Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The City may accept a proposal from an eligible institution which provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.

III. Definitions

IV. Procedures

Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual investment's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate actions are taken in accordance with the terms of this Policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

2. Ethics and Conflicts of Interest

The Investment Officers (defined as the Finance Officer, Treasury Manager and Senior Treasury Analyst/Treasury Analyst, hereafter) and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment Officers and employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Officers and employees involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. Delegation of Authority

Authority to manage the investment program is granted to the Finance Officer and derived from N.C.G.S. 159-30. Under the direction of the Finance Officer, the Treasury Manager and Senior Treasury Analyst/Treasury Analyst have responsibility of the day to day management of City funds. The Investment Officers shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy.

Procedures should include references to: safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures approved by the Finance Officer. The Investment Officers shall be responsible for all transactions undertaken and shall regulate the activities of subordinate officials.

Investment Providers

1. Broker/Dealers

The City shall select broker/dealers by their ability to provide effective market access and may include "Primary Government Securities Dealers" or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Broker/dealers selected must be members in good standing of the Financial Industry Regulatory Authority ("FINRA") and be licensed in the State. Each broker/dealer will be reviewed by the Investment Officers and a recommendation will be made for approval by the Finance Officer.

An "approved broker/dealer list" shall be maintained by the Investment Officers at all times and periodically approved by the Finance Officer. The City shall not enter into transactions with a broker/dealer until approved.

All broker/dealers who desire to become approved must supply the following:

- Proof of Financial Industry Regulatory Authority ("FINRA") registration
- Proof of state registration
- Completed broker/dealer questionnaire

Periodic review of the financial condition and registration of all selected broker/dealers will be conducted by the Investment Officer.

2. Financial Institutions

The City shall select a primary depository bank in compliance with the City's banking services procurement process and State law, and which offers the most favorable terms and conditions for the handling of City funds.

The City may also establish agreements with other financial institutions under separate contract for additional services that are necessary in the administration, collection, investment, and transfer of City

funds. Such deposits will only be made after the financial institution has completed and returned the required written instruments and depository pledge agreements. No deposit shall be made except in a qualified public depository as established by State law.

3. Minority and Community Financial Institutions

From time to time, the Investment Officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Section V.1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law.

Safekeeping and Custody

1. Delivery versus Payment

All trades of marketable securities will be executed by delivery versus payment (DVP) to ensure that securities are deposited in a City-approved safekeeping agent prior to the release of funds.

2. Safekeeping

Securities will be held by an independent third-party safekeeping agent selected by the City and evidenced by safekeeping receipts in the City's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

3. Internal Controls

The Treasury Manager shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Finance Officer and the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

Suitable and Authorized Investments

1. Investment Types

Consistent with the NCGS 159-30, the following investments will be permitted:

- A. Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- B. Obligations of government-sponsored agencies and instrumentalities listed in NCGS 159-30 (c) (2).
- C. Obligations of State of North Carolina.
- D. Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the Secretary of the Local Government Commission may impose.
- E. Time deposits placed with any North Carolina financial institution, secured in accordance with NCGS 159-31(b).
- F. Prime quality commercial paper rated the highest by one of the rating agencies and meeting the standards of NCGS 159-30 (c) (6).
- G. Bankers Acceptance of a commercial bank. Either highest long term debt rating of at least one nationally recognized rating service, or the bank or its holding company is incorporated

in North Carolina. In either event the security shall meet the standards of NCGS 159-30 (c) (7).

- H. Mutual funds certified by the Local Government Commission (LGC) and meeting the standards of NCGS 159-30 (c) (8).
- I. A comingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3.
- J. A comingled investment pool established by Interlocal agreement that meets the standards of NCGS 159-30 (c) (10).
- K. Repurchase agreements meeting the standards of NCGS 159-30 (c) (12).
- L. Mortgage-backed obligations that:
 - i. Pass the Federal Financial Instrumentality Examination Council (“FFIEC”) High Risk Security Test.
 - ii. Is an obligation of a federal agency or instrumentality as listed in NCGS 159-30(c) (2).

2. Collateralization

The City requires collateralization for financial institution deposits in which the depository does not participate in the “Pooled Method” collateralization program of the State Treasurer. If a depository will utilize the “Dedicated Method” collateralization approach, the market value of the required collateral level shall equal or exceed 105% of the principal and accrued interest of any non-federally insured deposit amount. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards deposits.

All financial institutions pledging securities as collateral shall be required to sign a security or collateralization agreement with the City. The agreement shall define the City’s rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement has to be executed by the financial institution and the City contemporaneously with the deposit;
- The agreement must be approved by the Board of Directors or designated committee of the financial institution and a copy of the meeting minutes must be delivered to the City; and
- The agreement must be part of the financial institution’s “official record” continuously since its execution.

Collateral will be held by an independent third party with whom the City has an escrow agent or custodial agreement. Pledge receipts and monthly reports must be supplied directly to the City by the escrow agent or custodian.

The City shall use State law and the GFOA's Recommended Practices on the Collateralization of Public Deposits as a guide on making adjustments to this collateralization policy for all financial institution accounts, including transaction accounts and certificates of deposit.

3. Repurchase Agreements

Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements. At the discretion of the Investment Officer, the minimum collateral level shall be 102%.

Investment Parameters

1. Diversification

The following diversification limitations shall be imposed on the portfolio:

Type of Investment	Maximum percentage
U.S. Obligations (1A)	90% of Portfolio
Federal Agencies and Instrumentalities (1B)	90% of Portfolio
North Carolina State and Local Bonds (1C and 1D)	75% of Portfolio
Time Deposits (1E)	90% of Portfolio
Commercial Paper (1F)	25% of Portfolio 5% per Issuer
Bankers Acceptances (1G)	25% of Portfolio 5% per Issuer
LGC certified money market mutual funds (1H)	100% of Portfolio
Comingled investment pool (1I and J)	100% of Portfolio
Repurchase Agreements (1K)	25% of Portfolio Exclusive of bond proceeds
Mortgage-backed Obligation (1L)	25% of Portfolio 10% per Security
Callable Securities	50% of Portfolio

Note: Parenthetical references to section VII of this policy.

2. Maximum Maturities

To the extent possible, the City's Consolidated Operating Portfolio shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City's Consolidated Operating Portfolio should not directly invest in securities maturing more than five (5) years from the date of purchase. The intent to invest in longer-term maturities shall be disclosed in writing to the Finance Officer prior to transaction commitment. The maximum weighted average maturity for the City's Consolidated Operating Portfolio (including cash equivalent balances) shall be thirty months.

Reserve funds and other funds with longer-term investment horizons may be invested in maturities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in longer-term maturities shall be disclosed in writing to the Finance Officer prior to transaction commitment.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as financial institution transaction accounts, local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3. Competitive Environment

It is the policy of the City to provide a competitive environment for all individual security purchases and sales, financial institution deposits, and repurchase agreement, money market mutual fund and local government investment pool selections. The Investment Officer shall develop and maintain procedures for ensuring competition in the investment of the City's funds.

4. Outside Discretionary Investment Managers

With the approval of the City Manager, the City may contract with a discretionary investment manager(s) to invest a portion of the City's overall portfolio. The manager shall be selected based on the appropriateness of its management style and risk/return objectives, and must adhere to the investment objectives, parameters and restrictions as determined by the Finance Officer and detailed in the executed management agreement. The manager shall operate in conformance with federal, state, and other legal requirements, including *North Carolina General Statute ("NCGS") 159-30*, but will not be required to adhere to this Policy.

Reporting

1. Methods

The Investment Officers shall submit to the Finance Director, not less than quarterly, an investment report that summarizes the investment strategies employed in the most recent period, and describe the portfolio in terms of investments, maturities, risk characteristics, and other features. The report shall explain the period's total investment income and compare the amount with budgetary expectations. The report shall include all transactions during the past quarter.

Within a timely manner of the end of the fiscal year, the Investment Officer shall present an annual report on the investment program and investment activity. The annual report shall suggest improvements that might be made in the investment program.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Weighted average yield to maturity shall be the portfolio performance standard for reporting purposes. For management purposes, a series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

3. Market Valuation

The market value of the portfolio shall be calculated at least quarterly and included in the concurrent report. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

Other Considerations

1. Exemption

Any investment currently held that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy. The purchase of any investment that does not meet the guidelines of this Policy will require written approval of the Finance Director prior to transaction commitment.

2. Review and Amendment

The Investment Policy shall be reviewed periodically and any changes shall be approved through the City's policy approval framework.